

February 10, 2005

An act to amend Section 17041 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

SB 214, as introduced, Dutton. Personal income tax: rates.

The Personal Income Tax Law imposes taxes upon taxable income at specified rates.

This bill would make technical, nonsubstantive changes to those provisions.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 17041 of the Revenue and Taxation
2 Code is amended to read:

17041. (a) There shall be imposed for each taxable year upon the entire taxable income of every resident of this state who is not a part-year resident, except the head of a household as defined in Section 17042, taxes in the following amounts and at the following rates upon the amount of taxable income computed for the taxable year as if the resident were a resident of this state for the entire taxable year and for all prior taxable years for any carryover items, deferred income, suspended losses, or suspended deductions:

12

13 If the taxable income is: The tax is:

14 Not over \$3,650..... 1% of the taxable income

15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40

(2) The tax imposed under paragraph (1) shall be calculated by multiplying the “taxable income of a nonresident or part-year resident,” as defined in subdivision (i), by a rate (expressed as a percentage) equal to the tax computed under subdivision (a) on the entire taxable income of the nonresident or part-year resident as if the nonresident or part-year resident were a resident of this state for the taxable year and as if the nonresident or part-year resident were a resident of this state for all prior taxable years for any carryover items, deferred income, suspended losses, or suspended deductions, divided by the amount of that income.

If the taxable income is:

The tax is:

1	Not over \$7,300.....	1% of the taxable income
2	Over \$7,300 but not	
3	over \$17,300.....	\$73 plus 2% of the excess
4		over \$7,300
5	Over \$17,300 but not	
6	over \$22,300.....	\$273 plus 4% of the excess
7		over \$17,300
8	Over \$22,300 but not	
9	over \$27,600.....	\$473 plus 6% of the excess
10		over \$22,300
11	Over \$27,600 but not	
12	over \$32,600.....	\$791 plus 8% of the excess
13		over \$27,600
14	Over \$32,600.....	\$1,191 plus 9.3% of the excess
15		over \$32,600

16
 17 (d) (1) There shall be imposed for each taxable year upon the
 18 taxable income of every nonresident or part-year resident when
 19 the nonresident or part-year resident is the head of a household,
 20 as defined in Section 17042, a tax as calculated in paragraph (2).

21 (2) The tax imposed under paragraph (1) shall be calculated by
 22 multiplying the “taxable income of a nonresident or part-year
 23 resident,” as defined in subdivision (i), by a rate (expressed as a
 24 percentage) equal to the tax computed under subdivision (c) on
 25 the entire taxable income of the nonresident or part-year resident
 26 as if the nonresident or part-year resident were a resident of this
 27 state for the taxable year and as if the nonresident or part-year
 28 resident were a resident of this state for all prior taxable years for
 29 any carryover items, deferred income, suspended losses, or
 30 suspended deductions, divided by the amount of that income.

31 (e) There shall be imposed for each taxable year upon the
 32 taxable income of every estate, trust, or common trust fund taxes
 33 equal to the amount computed under subdivision (a) for an
 34 individual having the same amount of taxable income.

35 (f) The tax imposed by this part is not a surtax.

36 (g) (1) Section 1(g) of the Internal Revenue Code, relating to
 37 certain unearned income of minor children taxed as if the
 38 parent’s income, shall apply, except as otherwise provided.

39 (2) Section 1(g)(7)(B)(ii)(II) of the Internal Revenue Code,
 40 relating to income included on parent’s return, is modified, for

1 purposes of this part, by substituting “1 percent” for “15
2 percent.”

3 (h) For each taxable year beginning on or after January 1,
4 1988, the Franchise Tax Board shall recompute the income tax
5 brackets prescribed in subdivisions (a) and (c). That computation
6 shall be made as follows:

7 (1) The California Department of Industrial Relations shall
8 transmit annually to the Franchise Tax Board the percentage
9 change in the California Consumer Price Index for all items from
10 June of the prior calendar year to June of the current calendar
11 year, no later than August 1 of the current calendar year.

12 (2) The Franchise Tax Board shall do both of the following:

13 (A) Compute an inflation adjustment factor by adding 100
14 percent to the percentage change figure that is furnished pursuant
15 to paragraph (1) and dividing the result by 100.

16 (B) Multiply the preceding taxable year income tax brackets
17 by the inflation adjustment factor determined in subparagraph
18 (A) and round off the resulting products to the nearest one dollar
19 (\$1).

20 (i) (1) For purposes of this part, the term “taxable income of a
21 nonresident or part-year resident” includes each of the following:

22 (A) For any part of the taxable year during which the taxpayer
23 was a resident of this state (as defined by Section 17014), all
24 items of gross income and all deductions, regardless of source.

25 (B) For any part of the taxable year during which the taxpayer
26 was not a resident of this state, gross income and deductions
27 derived from sources within this state, determined in accordance
28 with Article 9 of Chapter 3 (commencing with Section 17301 and
29 Chapter 11 (commencing with Section 17951).

30 (2) For purposes of computing “taxable income of a
31 nonresident or part-year resident” under paragraph (1), the
32 amount of any net operating loss sustained in any taxable year
33 during any part of which the taxpayer was not a resident of this
34 state shall be limited to the sum of the following:

35 (A) The amount of the loss attributable to the part of the
36 taxable year in which the taxpayer was a resident.

37 (B) The amount of the loss ~~which~~ *that*, during the part of the
38 taxable year the taxpayer is not a resident, is attributable to
39 California source income and deductions allowable in arriving at
40 taxable income of a nonresident or part-year resident.

1 (3) For purposes of computing “taxable income of a
2 nonresident or part-year resident” under paragraph (1), any
3 carryover items, deferred income, suspended losses, or
4 suspended deductions ~~shall~~ *may* only be includable or allowable
5 to the extent that the carryover item, deferred income, suspended
6 loss, or suspended deduction was derived from sources within
7 this state, calculated as if the nonresident or part-year resident,
8 for the portion of the year he or she was a nonresident, had been
9 a nonresident for all prior years.

O